



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/9/2002

GAIN Report #VE2028

Venezuela

Grain and Feed

Corn Imports Remain Crunches 2002

Approved by:

Leanne E. Hogie

U.S. Embassy

Prepared by:

Clara Nuñez

Report Highlights:

Import licenses for corn were severely restricted during the 2001/02 marketing year and will not reach even the minimum in-quota TRQ access level of 583,000 tons.

Prospects for imports in 2002/03 are also down even in the face of a lower domestic corn crop since the devaluation of the bolivar has made imported products more expensive and dampened demand. The application of a valued-added tax on corn, and stricter phytosanitary measures will also work against increased imports in the coming year.

Includes PSD changes: Yes

Includes Trade Matrix: No

Unscheduled Report

Caracas [VE1], VE

Licenses Down Dramatically

Import licenses for corn were severely restricted during the 2001/02 marketing year and will not reach even the minimum in-quota TRQ access level of 583,000 tons. Sources indicate that the GOV issued licenses for about 340,000 tons of corn this summer, but that licenses for about 50,000 tons were never used due to commercial difficulties. The industry continues to request more licenses, but they are unlikely to be granted as the local white corn crop is starting to be harvested. Last fall about 178,000 tons of corn were imported either before the import restrictions were in place, or as special purchases of corn for starch manufacture.

Post has made repeated demarches to officials in the Ministries of Agriculture, Commerce and Foreign Relations about this issue and the U.S. Ambassador raised our concerns with President Chavez. However, the Ministry of Agriculture continues to manage the license issuance process in a very opaque and non-automatic manner.

Local Production Drops

The GOV will not face the same level of opposition to imports it received from farmers last year, since this year's corn crop is expected to be much smaller than last year's bumper crop. Estimates for the crop range from 900,000 to 1.3 million tons, significantly below last year's estimate due to weather conditions. However, crop estimation remains more of an art than a science here as Venezuela struggles with developing an accurate crop forecasting and reporting system. This year much of the crop is supposed to be commercialized through BOLPRIAVEN, the local commodity exchange, which should improve estimates of the crop size.

Local Prices Continue to be Set Rather Than Market Driven

Prices in the corn sector are increasingly managed rather than market driven. The price that is set for the local crop is mainly determined by the needs of the domestic corn flour industry, and the desire to keep corn flour prices to the consumer at a reasonable level. The corn flour industry, which annually purchases around 900,000 tons of the local crop, has agreed to pay Bs. 270/kg this fall, compared to Bs. 175/kg last fall. While this is a tremendous increase in local currency terms, in dollar terms prices have fallen due to the major devaluation of the Bolivar since February. Prices for corn flour have gone from Bs. 550/kg in January to about Bs.780/kg in August. Traditionally corn flour prices are approximately three times the farm price for corn.

For corn used for animal feed, the price spread between domestic and imported crop is much narrower than the \$100 spread seen last fall mainly due to the devaluation. Local corn is currently selling for around Bs.250/kg, (\$172/ton) compared to Bs.175/kg (\$234/ton) last fall. Last fall imported corn was running around \$140/ton delivered at the plant. But this year U.S. corn prices have moved up due to a shorter crop, and are now running between \$125 and \$135/ton before duties and taxes. Add the 20% import duty, and the 16% value added tax that is currently being assessed to most imports (see VE 2025) and there is little incentive to purchase imported corn before the local crop.

The GOV is also proposing policies that would allow it to more strictly control agricultural prices, and is discussing the creation of Juntas Nacionales (National Boards) to establish a more formal price setting system in the entire agricultural sector. The Juntas would be composed of producers, agribusiness, and distributors in the different commodity sectors, and would be managed by the government. There is great controversy over these Juntas since the government asserts that they can be formed under the new Agriculture Marketing Law passed in February, but many in the private sector

believe that they violate the government's earlier commitment to free enterprise and a market economy.

Demand Weakens due to Recession

Even with the modest increase in corn flour prices noted above, the industry reports weaker demand for that staple product. Demand for pork and poultry, which use imported corn, is off dramatically. Those industries are struggling to reduce costs as well as trying to reduce stocks and manage future production levels more tightly

The industry estimates that between its current supplies, and purchases of local corn and sorghum it may not need to import corn again until February. However, at that time that import requirements should be around 600,000 tons. At this time we are reducing our corn import estimates for both the 2001/02 and 2002/03 marketing years to reflect the weakened demand. However, the Venezuelan market for alternative feed ingredients has grown to substitute for some prior corn usage. This could continue, although at reduced levels due to the effects of the devaluation.

Phytosanitary Concerns

Recently corn imports have been subject to even tighter scrutiny for Phytosanitary concerns. SASA recently delayed a shipment due to concerns about "ambrosia trifoliata" which had not been an issue before. While this shipment was released with the proviso that the importers apply appropriate treatments, there is a growing concern that phytosanitary barriers may be used as the next tool to impede imports.

PSD Table						
Country	Venezuela					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	450	450	450	450	400	400
Beginning Stocks	203	203	225	225	50	50
Production	1450	1450	1200	1200	1300	1200
TOTAL Mkt. Yr. Imports	1172	1172	600	470	800	600
Oct-Sep Imports	1172	1172	600	470	800	600
Oct-Sep Import U.S.	1120	1120	500	450	750	580
TOTAL SUPPLY	2825	2825	2025	1895	2150	1850
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	1350	1350	725	550	750	650
TOTAL Dom. Consumption	2600	2600	1975	1845	2000	1800
Ending Stocks	225	225	50	50	50	50
TOTAL DISTRIBUTION	2825	2825	2025	1895	2050	1850